Department for Education

Schools' costs

2021-22, 2022-23 & 2023-24

Technical note, March 2022

Contents

Summary

This note is intended to help school leaders, governors, academy trustees, researchers and others understand the drivers of cost increases in mainstream schools in England at the national level. The analysis in this note is split into two parts: the current financial year 2021-22; and a look ahead to 2022-23 and 2023-24. It examines the scope for further spending by mainstream schools that is afforded by increases in their funding in each year.

Expiry or review date

Annual updates are planned.

Main points

To judge the impact of cost increases on schools' finances, we compare them against the growth in their funding in the same year. This allows us to assess the additional spending power afforded by the new, additional funding in any year. This analysis excludes additional costs and funding relating to COVID-19.

2021-22. For the current financial year, we estimate that the funding that goes to mainstream schools has risen by 3.5 per cent overall, while their underlying costs are increasing by 2.5 per cent, on average, at the national level. From this, we infer that mainstream schools' expenditure could increase a further 1.1 per cent this year, before schools would face a net pressure.

An average 1.1 per cent increase in expenditure in 2021-22 corresponds to around £400 million in cash terms at the national level. Where schools have received funding increases in 2021-22, appropriate use of any additional money will vary by school at the discretion of headteachers and school leaders.

2022-23. Core funding to mainstream schools is set to increase substantially, by 6.8 per cent. This reflects the intention of the 2021 schools' funding settlement to equip schools financially to meet emerging cost pressures, covering the Health and Social Care Levy and other pressures, as well as give schools the resources they need to raise attainment, while meeting pay awards and other costs.

On the expenditure side, if we exclude pay award pressures (which are unknown at this point), then remaining costs are set to increase by 1.8 per cent. Schools should have scope to raise their expenditure by a further 5.0 per cent on average, or £2.1 billion overall at the national level, before they would face a net pressure.

If we add pay awards to 2022-23's costs, then for every 1.0 percentage point increase in pay (in September for teaching staff, and in April for non-teaching staff), the scope for further expenditure in that year would reduce by around £250 million.

2023-24. On the same basis, in 2023-24, schools could afford to raise expenditure by a further 1.6 per cent, or around £700 million, before they would face a net pressure. However, this assumes that the £2.1 billion available for further spending in 2022-23 was all committed to the longer term in that year such that none of it is available for new spending in 2023-24.

For every 1.0 percentage point increase in pay in 2023-24, the scope for further expenditure in that year would reduce by around £270 million. However, every 1.0 percentage point increase in teachers' pay at the previous September (2022) would reduce the scope in 2023-24 by another £100 million. The latter is the result of the increase in teachers' pay award costs from only 7 months' worth in 2022-23 (September to March) to a full 12 months in 2023-24.

Implications for financial planning. Over the two years 2022-23 and 2023-24, total funding will increase by 9.8 per cent and costs by 3.0 per cent compared to 2021-22, making available £2.9 billion for new spending, including both pay awards and other priorities over the two years. Given the front-loading of funding increases in the latest settlement, in practice this could mean schools leaving some of 2022-23's £2.1 billion of new spending uncommitted in the longer term to make it available for such purposes in 2023-24.

Schools may want to note the department's proposals for the upcoming 2022 and 2023 pay awards in its evidence to the STRB, to consider how this might, for example, impact on their budgets over the two financial years. Of course, final pay awards are subject to STRB recommendations and the government's response. The implications for individual schools will depend on wider factors and they will need to understand and plan for their own situations.

Introduction

1. This technical note provides school leaders and others with analysis of the cost increases that mainstream schools are expected to face over the financial years 2021-22, 2022-23 and 2023-24. This will help them understand broadly how and why costs change in each year compared with the previous year. The cost pressures covered in this note relate mainly to schools' expenditure on the activities supported by their core funding allocations.

2. Since March 2020, schools have faced additional costs as a result of the coronavirus (COVID-19) outbreak. The figures presented in this note exclude additional costs, savings and funding relating to schools' response to the COVID-19 outbreak. The government has provided additional funding, on top of existing budgets, to cover unavoidable costs and recovery plans that could not be met from schools' budgets. A summary of the funding packages provided to support schools through the outbreak has been published.[1] The department intends to make a full assessment as to the impact of COVID-19 on school finances, and has accepted the recommendation made by the NAO in their 2021 *School Funding in England* report to do so, once we have moved beyond the immediate disruption caused by the pandemic. The department monitors the financial health of the sector regularly, with the latest data for academy trusts and maintained schools' finances (for the academic year 2019/20 and financial year 2020-21 respectively) showing that schools' financial position nationally has not worsened over this period; rather schools have on average added to their reserves in this time.

3. Cost increases should be seen in the wider context of funding for schools. Multi-year settlements for schools' funding were announced in 2019 (covering the financial years 2020-21 to 2022-23) and in 2021 (covering 2022-23 to 2024-25). Schools received £49.8 billion in 2021-22, and are due to receive £53.8 billion in 2022-23, £55.3 billion in 2023-24, and £56.8 billion in 2024-25, compared with £44.4 billion in 2019-20.[2]

4. Our estimates of cost increases cover English primary and secondary schools (maintained schools, academies, and free schools, with pupils in reception to year 11). These are national level estimates of the average cost increases that schools are forecast to face.

5. Specific cost increases will vary from school to school and depend on various factors, including the characteristics and number of their staff and pupils, their

[1] Department for Education (2022), *School funding: between financial years 2010 to 2011 and 2022 to 2023*, https://explore-education-statistics.service.gov.uk/find-statistics/school-funding-statistics.

[2] HM Treasury (2021), *Autumn Budget and Spending Review 2021*, Table 4.2, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1043689/Budget_AB2021_Web_Accessible.pdf.

approaches to procurement and the conditions and types of their buildings. All schools need to understand and plan for their own situation. As set out in the Annex, the department offers a number of tools and resources to help schools and trusts improve outcomes for pupils by getting the best value from all their resources.[3]

6. The first section of this note deals with cost and funding increases in the current year 2021-22, for which we are able to estimate all of the major cost drivers and assess the scope for further spending afforded by the increase in mainstream schools' funding this year.

7. The second section examines cost and funding increases in 2022-23 and 2023-24, where we do not yet know the pressures from staff pay awards. However, we are able to test the scope for further expenditure (on pay and other priorities) afforded by funding increases in those years, especially by the large increase in 2022-23, the first year of the 2022-23 to 2024-25 schools' funding settlement. We estimate the impacts of pay awards on further expenditure by assessing the costs of an illustrative 1.0 percentage point increase in pay in each of the two years. Schools can take advantage of the way most of the new, additional funding has been front-loaded and included from the first year of the funding settlement to manage the pressures on their budgets across multiple years.

8. Subsequent sections detail the methodology we have used to produce the estimates of cost increases and discuss uncertainties and limitations of the analysis. There are a number of factors that could lead to differences between the forecasts and eventual increases in the costs considered here, as set out at the end of this note.

[3] Department of Education (2021), *School resource management*, https://www.gov.uk/government/collections/schools-financial-health-and-efficiency.

Schools’ costs and funding increases in 2021-22

Cost pressures

9. We first consider the cost increases that schools face this financial year, averaged across all schools in England.

10. Details of how we calculate cost increases are set out in the Methodology section. In essence, to estimate cost increases, we combine the pressures due to various price inflation factors (cost pressures) and changes to staff and pupil numbers (demographic pressures) for spending in three broad price-inflation categories (teaching staff, non-teaching staff and non-staff related costs). We start by setting expenditure equal to funding in the latest year for which we have spending data, 2019-20, apportioned by price-inflation category, and work forward applying the cost and demographic pressures in each subsequent year in turn.

11. Staff cost pressures include pay awards, employer pension contribution rate changes, and National Insurance rate changes. Staff-related costs are assumed to scale with forecast teacher numbers, driven by pupil numbers. Non-staff related costs (GDP deflator for price inflation as published by HM Treasury in January 2022)[4] [5] are assumed to scale with pupil numbers.

12. The cost pressures are set out by spending category in the table below. They are driven primarily by increases in staff-related costs, responsible for 82 per cent of total costs.

Expenditure category	2021-22
Teacher pay expenditure, per teacher	1.4%
Non-teaching staff expenditure, per staff member[6]	1.5%
Non-staff expenditure, per pupil	2.6%

Table 1: Cost pressures by expenditure category in 2021-22, compared to 2020-21.

13. The teachers’ pay cost pressure of 1.4 per cent is made up of the final 5 months of the September 2020 3.1 per cent award together with some minor additional pressures

[4] HM Treasury (2022), *GDP deflators at market prices, and money GDP December 2021 (Quarterly National Accounts)*, https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp.

[5] Note that we have used an average of the GDP deflator over 2020-21 to 2021-22, for the reasons set out in the Methodology section.

[6] This is the cost pressure averaged over all non-teaching staff, including those earning the National Living Wage.

caused by pay drift.[7] Due to the pay pause in 2021, there is no additional pressure from teachers' pay from September 2021 other than a small amount of pay drift.

14. The non-teaching staff pay pressure is made up of the most recent employers' offer for 2021-22 of 1.75 per cent (and 2.75 per cent for the lowest pay point), and a decrease in the impact of employer pension contributions.[8]

15. Schools also face inflationary pressures on non-staff related costs, such as learning resources, catering supplies, and administrative supplies, which vary depending on the category of spending. Inflationary pressures on energy spending are high at the present time, but overall, they represent a small proportion of schools' total spending; in 2019-20 for example, energy accounted only for around 1.4 per cent of schools' expenditure. The GDP deflator is commonly used to indicate price changes in public sector expenditure, and we continue to apply it schools' non-staff related spending overall, albeit smoothed over 2020-21 and 2021-22.[9]

16. Before summing the pressures to obtain a total cost pressure, we have to convert the staff-related pressures to a common per-pupil set of units and weight all the pressures according to each category's contribution to overall expenditure. Cost pressures for each staff category can be converted to a per-pupil basis using the relative changes in teacher and pupil numbers.

17. The per-pupil cost pressures are set out below. All figures are rounded to one decimal place.

Expenditure category	2021-22
Teacher pay expenditure, per pupil (weighted)	0.7%
Non-teaching staff expenditure, per pupil (weighted)	0.4%
Non-staff expenditure, per pupil (weighted)	0.5%
Overall per-pupil cost pressure (sum of the above)	**1.5%**

Table 2: Weighted per-pupil cost pressures in 2021-22.

18. The overall cost pressure of 1.5 per cent in 2021-22 is less than general inflation, as measured by the smoothed GDP deflator, of 2.6 per cent.

19. By combining the above cost pressures with demographic pressures, we estimate that the costs faced by mainstream schools will increase by 2.0 per cent in 2021-22. To this we add an additional 0.5 per cent due to increases in expenditure on special

[7] Changes to pay bill costs due to workforce compositional changes and pay progression.

[8] At the time we went to press there had still been no agreement between the National Employers and the unions on the 2021-22 pay award.

[9] See the Methodology section for more information on why smoothed GDP deflator figures have been used for these years.

educational needs provision in mainstream settings. This yields an overall increase in costs of 2.5 per cent in 2021-22.

Funding increases and scope for further expenditure

20. To judge the impact of the cost increases on schools' finances in 2021-22, we compare them against the growth in schools' funding. This allows us to assess the additional spending power afforded by the additional funding in that year.

21. We have published a time series of total schools' core funding, which shows an increase of 4.1 per cent in 2021-22 compared to 2020-21.[10] However, for the purposes of our comparison, we need the subset of that funding which goes specifically to mainstream schools, including:

- Schools block funding;
- Pupil premium grant (deprivation and service elements only);
- High needs funding (we include only funding that goes to mainstream schools);
- Teachers' pay grant and teachers' pension employer contribution grant (and supplementary fund) paid to mainstream schools (as separate grants in 2020-21 and included in the schools and high needs blocks in 2021-22);
- Free school meals supplementary grant (2020-21 only).

22. On that basis, the funding in 2021-22 was 3.5 per cent higher than the funding in 2020-21. (The largest difference between this and the increase in total core funding is the higher rate of funding increase to high needs providers included in the latter.)

23. By comparing the 3.5 per cent increase in funding with the 2.5 per cent increase in costs, we can determine the scope for further expenditure before schools would face a net pressure, on average nationally. **We see that mainstream schools could raise their expenditure on average a further 1.1 per cent in 2021-22,[11] or by around £400 million at the national level**.

[10] Department for Education (2022), *School funding: between financial years 2010 to 2011 and 2022 to 2023*, https://explore-education-statistics.service.gov.uk/find-statistics/school-funding-statistics.

[11] 3.5 per cent funding increase minus 2.5 per cent costs increase equals 1.1 per cent scope for further spending before the funding and spending increases balance. Numbers do not sum due to rounding.

Schools’ costs and funding increases – look ahead to 2022-23 and 2023-24

Partial cost pressures

24. We cannot yet provide a complete analysis of the pressures in 2022-23 and 2023-24, as future staff pay awards are yet to be agreed.

25. We have made estimates of the following expected pressures:

1) Teachers’ pay drift;
2) Impact of the Health and Social Care Levy on pay bill in 2022-23;
3) National Living Wage (NLW) increase;
4) Local Government Pension Scheme employer contribution rate changes; and
5) Non-staff related cost pressures.

26. These cost pressures are included in the table below.

Expenditure category	2022-23	2023-24
Teacher pay expenditure, per teacher	0.8%	0.2%
Non-teaching staff expenditure, per staff member[12]	0.7%	0.4%
Non-staff expenditure, per pupil	2.7%	2.2%

Table 3: Annual cost pressures by expenditure category in 2022-23 and 2023-24.

27. The main staff-related cost pressure in 2022-23 is the Health and Social Care Levy (0.7 per cent of pay bill). As for 2021-22 (Table 1), the non-staff related cost pressures reflect inflation using forecast GDP deflators.

28. We combine the subset of cost pressures above with demographic pressures to estimate that costs faced by mainstream schools will increase by 1.4 per cent and 0.7 per cent in 2022-23 and 2023-24, respectively. To this we add an additional 0.5 per cent in each of the two years due to increases in expenditure on special educational needs provision in mainstream schools.

29. **In total, excepting pay awards other than the NLW, costs are therefore forecast to increase by 1.8 per cent and 1.2 per cent in 2022-23 and 2023-24.** Any change in staff pay will significantly raise costs as more than 80 per cent of schools’ expenditure in these years will be on pay-related costs. Conversely, differences between actual and forecast inflation, used for pressures on non-staff related costs, which account

[12] This is the cost pressure averaged over all non-teaching staff, including those earning the National Living Wage.

for less than 20 per cent of expenditure, will have a correspondingly muted impact on overall costs.

Funding increases and scope for pay awards and other new expenditure

Funding increases

30. The core funding going to mainstream schools in 2021-22 and 2022-23 are subsets of the funding taken from the time series of total schools' core funding.[13] For 2023-24, we based the mainstream schools' funding on internal budgets consistent with the grants included in the published time series:

- Schools block funding;
- Pupil premium grant (deprivation and service elements only);
- High needs funding (we include only funding that goes to mainstream schools);
- Schools supplementary grant. This grant, paid separately in 2022-23, is planned to be incorporated into the schools block of funding from 2023-24.

31. **The core funding going to mainstream schools is expected to increase by 6.8 per cent in 2022-23 and 2.8 per cent in 2023-24, subject to how final core school budgets are apportioned between mainstream and high needs providers and central services**.[14]

32. The 6.8 per cent increase to school funding in 2022-23 reflects the intention of the 2021 schools' funding settlement to fully equip schools financially to meet emerging cost pressures, covering (but not limited to) the Health and Social Care Levy and other pressures, giving schools the resources they need to raise attainment, while meeting pay awards, and other inflationary costs such as learning resources, administrative supplies and energy for example.

33. Schools will also have their own priorities, reflecting their own circumstances and the needs of their pupils and staff. These may include, but will not be limited to, wider investment in the school workforce, delivering a strong recovery offer for children and young people, ensuring high quality and early support for children with SEND, and investing in their digital infrastructure and capability. Schools will need to balance these against spending on pay awards and other expenditure. As set out in the Annex, the

[13] Department for Education (2022), *School funding: between financial years 2010 to 2011 and 2022 to 2023*, https://explore-education-statistics.service.gov.uk/find-statistics/school-funding-statistics.

[14] Allocations for 2023-24 will not be published until the end of 2022.

department offers a number of tools and resources to help schools and trusts improve outcomes for pupils by getting the best value from all their resources.[15]

Scope for further expenditure

34. The difference between the increase in funding and the increase in costs (excepting pay awards) indicates the scope for schools to raise their expenditure before facing a net pressure at the national level. **In 2022-23, schools should be able to raise their expenditure by a further 5.0 per cent on average,[16] or around £2.1 billion overall**.

35. **On the same basis, in 2023-24, schools could afford to raise expenditure by a further 1.6 per cent,[17] or around £700 million, before they would face a net pressure**.

36. Although the 2.8 per cent increase to funding in 2023-24 remains above inflation (forecast in December 2021 as 2.2 per cent), and thereby protects school budgets in real terms, nationally, it is more modest than the 6.8 per cent funding increase in the previous year. That reflects the decision to front-load most of the increase in schools' funding in 2022-23, the first of the three years covered by the schools' funding settlement agreed at the 2021 Spending Review.

37. Over 2022-23 and 2023-24, total funding will increase by 9.8 per cent and costs by 3.0 per cent compared to 2021-22, making available around £2.9 billion for new spending, including both pay awards and other spending priorities over those two years. Given the front-loading of funding increases in the latest settlement, in practice, this could mean schools leaving some of 2022-23's £2.1 billion of new spending uncommitted in the longer term to make it available for such purposes in 2023-24. New spending in 2023-24 would therefore not be limited to the £700 million estimated above, which assumes that the entirety of the £2.1 billion new spending in 2022-23 had been committed to the longer term.

38. Schools may want to note the department's proposals for the upcoming 2022 and 2023 pay awards in its evidence to the STRB, to consider how this might, for example, impact on their budgets over the two financial years. Of course, final pay awards are subject to STRB recommendations and the government's response. The implications for

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[15] Department of Education (2021), *School resource management*, https://www.gov.uk/government/collections/schools-financial-health-and-efficiency.

[16] 6.8 per cent funding increase minus 1.8 per cent costs increase equals 5.0 per cent scope for further spending.

[17] 2.8 per cent funding increase minus 1.2 per cent costs increase equals 1.6 per cent scope for further spending.

individual schools will depend on wider factors and they will need to understand and plan for their own situations.

Pressures due to pay awards in 2022-23

39. Pay awards in 2022 will raise costs for schools in 2022-23, 2023-24 and future years.

40. 2022-23 will see a full year's uplift of non-teaching staff pay and 7 months of the uplift in teachers' pay. Every 1.0 percentage point increase in pay in 2022 (April for non-teaching staff and September for teachers) would reduce the scope for other expenditure by 0.6 percentage points or by around £250 million in 2022-23. This compares to the £2.1 billion available for further spending in that year.

41. There is also an impact on the scope for new spending in the following year. Only 7 months of the September 2022 increase in teachers' pay would appear in the financial year 2022-23. A full 12 months of increased costs would not appear until 2023-24. As a result, there is a difference in costs in 2023-24 compared to 2022-23. Every 1.0 percentage point increase in pay in 2022 would reduce the scope for new expenditure in 2023-24 by 0.2 percentage points or approximately £100 million.[18] This can be compared to the £700 million available for further spending, on top of 2022-23, in 2023-24.

Pressures due to pay awards in 2023-24

42. Every 1.0 percentage point increase in pay in 2023 (again April for non-teaching staff and September for teachers) would reduce the scope for additional expenditure in 2023-24 by a further 0.6 percentage points or around £270 million, in addition to any reduced scope due to increased costs from the teachers' pay award in 2022.

43. While the scope for further spending in 2023-24 (excepting pay awards) is around £700 million, as mentioned above, schools should plan their budgets across multiple years, taking into account the scope for further spending in both 2022-23 and 2023-24 (£2.1 billion and £700 million, respectively, at the national level).

44. Note that, in an analogous manner to the overlap of teachers' pay pressures from September 2022 into the 2023-24, every 1.0 percentage point increase in teachers' pay

[18] This £100 million is not to be confused with the increase in spending in 2023-24 as a result of the pay increases in 2022 which would be closer to £350 million (the sum of £250 million from 2022-23 onwards and £100 million remaining costs from 2023-24 onwards). That is because we are interested in the additional spending power in 2023-24 afforded by the new, additional funding in that year. Essentially, 2022-23's funding uplift covers £250 million going forward and 2023-24's uplift must cover the commitment to the remaining £100 million missed in 2022-23 due to the teachers' award being paid from September.

in September 2023 will reduce the scope for new spending in 2024-25, by 0.2 percentage points or £100 million.

45. **In summary, for every 1.0 percentage point increase in pay in each year for teaching and non-teaching staff, the scope for new, additional spending in 2022-23 would reduce by around £250 million, while the scope for new spending in 2023-24 would reduce by around £370 million.**[19]

[19] The additional pressure in 2023-24 is the sum of the pressure due to the 2022 teachers' pay award (£100 million per 1.0 percentage point pay rise) and the pressure due to teaching and non-teaching staff pay awards in 2023 (£270 million per 1.0 percentage point pay rise).

Methodology

46. The approach taken to determine cost increases due to cost and demographic pressures in 2021-22 is as follows:

a) We use published schools' expenditure for 2019-20, the latest full year of data, to assign spending to three broad price-inflation categories:
    - Teaching staff related spending (54 per cent);
    - Non-teaching staff related spending (28 per cent); and
    - Non-staff related spending (18 per cent).
b) We estimate the growth in each category of spending in future years by applying annual cost pressures (price inflation) and staff and pupil number changes.
c) Some of these pressures are applied on a financial year (FY) basis and others apply by academic year (AY), as noted below.
d) We report cost pressures on a financial year basis. Individual academic year pressures overlap and act on two financial years.
e) Teaching staff related spending pressures include
    - Pay awards and drift (workforce compositional changes and pay progression) (AY)
    - Employer pension contribution changes (AY)
    - Health and Social Care Levy, collected through National Insurance in 2022-23 (FY)
    - Changes in the number of teachers, driven by pupil number changes (AY).
f) For non-teaching staff related costs, we include
    - NLW awards and general pay awards (FY)
    - Employer pension contribution changes (FY)
    - Health and Social Care Levy, collected through National Insurance in 2022-23 (FY)
    - Changes in the number of staff, proxied by the change in teacher numbers (AY).
g) Non-staff related costs are assumed to change in line with
    - Forecast inflation, as measured by the GDP deflator (FY)
    - Changes in pupil numbers (AY).
h) Cost pressures for each staff category are converted to a per-pupil basis using the relative changes in teacher and pupil numbers.
i) We sum these cost pressures, weighted by the proportion of spending in each category, to obtain a total per-pupil cost pressure across all schools.
j) By combining both cost pressures and demographic pressures, we obtain the overall increase in costs in each year, to which we add additional costs of providing educational services to pupils with special educational needs (see below).

47. Teacher number projections are based on unpublished internal modelling of teacher numbers driven by pupil numbers, i.e. driven by need, based on published national pupil projections (NPP)[20].

48. The Health and Social Care Levy imposes costs on employers from 2022-23, to be collected via raised National Insurance rates in that year. Internal analysis of teachers' pay bill data has estimated the impact of the increased contributions as 0.7 per cent of their pay bill. We have applied the same 0.7 per cent as a cost pressure on all staff-related expenditure.

49. The costs of providing educational services to pupils with special educational needs have increased in recent years. This additional pressure has been estimated for 2021-22 to 2023-24 as a further 0.5 per cent per-year increase in the costs of mainstream schools.

50. We can assess the additional spending power afforded by new, additional funding in any year by taking the difference between the percentage increase in funding and the percentage increase in costs. To estimate the scope for further expenditure in cash terms, we multiply this percentage difference by the previous year's funding, as defined in paragraphs 21 and 30. This approach pre-supposes that, in the previous or base year, schools have spent all their funding, i.e. expenditure = funding, whether or not that expenditure is for short or long-term commitments. If some of that expenditure is for one-off or short-term commitments, then that money would also be available for new spending in future years.

Teachers' pay

51. Following recommendations by the School Teachers' Review Body in July 2020,[21] the government raised the starting salary for new teachers by 5.5 per cent and increased the upper and lower boundaries of the pay ranges for all other teachers by 2.75 per cent in September 2020. These pay rises are equivalent to a 3.1 per cent increase in the teachers' pay bill.[22]

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[20] Department for Education (2021), *National pupil projections*, https://explore-education-statistics.service.gov.uk/find-statistics/national-pupil-projections.

[21] School Teachers' Review Body (2020), *School Teachers' Review Body 30th report: 2020*, https://www.gov.uk/government/publications/school-teachers-review-body-30th-report-2020.

[22] Department for Education (2020), *Teachers set for biggest pay rise in fifteen years*, https://www.gov.uk/government/news/teachers-set-for-biggest-pay-rise-in-fifteen-years.

52. For 2021, the government announced a temporary pause in most public sector pay in response to the impact of COVID-19 on the economy,[23] and there was no pay award for the majority of teachers.

53. For all years, we include estimates of pay drift. For academic years 2020/21 to 2022/23, the drift is estimated as 0.1 per cent, while for 2023/24 it is around 0.25 per cent.

Non-teaching staff pay

54. In October 2021, the National Employers reaffirmed their pay offer of an increase of 2.75 per cent on National Joint Council pay point 1, and 1.75 per cent on all NJC pay points 2 and above, with effect from 1 April 2021.[24] At the time this note went to press, no agreement had been reached with the unions. For the purposes of this analysis, in the absence of any alternative, we have used the National Employers' reaffirmed pay offer. The eventual 2021 pay award and associated cost pressure could be different from what we have allowed for in this note.

55. The Local Government Pension Scheme undergoes triennial valuations and accompanying adjustments to employer contribution rates. From the 2019 valuation report,[25] covering the years 2020-21 to 2022-23, we used the average total contribution rate (22.9 per cent), a flat primary rate (18.6 per cent) and the total amounts of secondary contributions expected from employers (£1.3 billion, £1.2 billion, and £1.2 billion) to estimate a total contribution rate in 2021-22 of 22.8 per cent. The reduction in the rate of 0.3 per cent of payroll in 2021-22 corresponds to a pay bill cost pressure in 2021-22 of around -0.2 per cent. For 2022-23, we estimate a zero pressure. Extrapolating to 2023-24, we estimate a pressure of 0.3 per cent.

Non-staff related expenditure

56. The top contributors to schools' non-staff related costs in 2019-20 (and their proportions of total spending) were:

- Learning resources (not ICT equipment) (4 per cent);
- Catering supplies (2.8 per cent);
- Administrative supplies (non-educational) (2.0 per cent); and

[23] HN Treasury (2020), *Spending Review 2020*, https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020.

[24] Local Government Association (2021), *Employer circular pay negotiation update, 19 October 2021*, https://www.local.gov.uk/employer-circular-pay-negotiation-update-19-october-2021.

[25] LGPS Scheme Advisory Board (2020), *2019 valuations – detail report*, http://www.lgpsboard.org/index.php/2019-valuations-report.

- Energy costs (1.4 per cent).

57. We use the GDP deflator to represent price inflation on non-staff related costs. While price inflation by spending category and experienced by individual schools may be different, the GDP deflator is commonly used to indicate price changes in public sector expenditure.

58. The latest GDP deflators of 6.0 per cent for 2020-21 and -0.7 per cent for 2021-22 are atypical.[26] This has arisen as a result of the impact of the COVID-19 pandemic. For this reason, we obtained an average of the GDP deflator across the two years to smooth the effect of the atypical data, to more accurately represent our understanding of school inflation, consistent with the report accompanying the latest official statistics on school funding[27]. Applying a deflator of 2.6 per cent in each of the two years is equivalent to applying 6.0 per cent and then -0.7 per cent. We therefore used this 2.6 per cent smoothed deflator to represent non-staff related expenditure inflation in 2021-22.

[26] HM Treasury (2022), *GDP deflators at market prices, and money GDP December 2021 (Quarterly National Accounts)*, https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp.

[27] Department for Education (2022), *School funding: between financial years 2010 to 2011 and 2022 to 2023*, https://explore-education-statistics.service.gov.uk/find-statistics/school-funding-statistics.

Data quality, limitations of analysis and key assumptions

59. The data used to estimate cost increases come from a variety of sources, referenced throughout the note, which have their own sets of assumptions and vary in quality.

60. There is a greater level of uncertainty for non-teaching staff expenditure, where less published information is available.

61. Estimates of the effects of teachers' pay awards also carry an inherent uncertainty given the flexibility that schools and academies have to make decisions on pay.

62. Factors which could contribute to differences between estimates and eventual outturn include changes in:

- Pupil numbers;
- Forecast inflation;
- Pressures, including those that cannot yet be accounted for due to lack of information at this time;
- Government policies affecting schools;
- Additional costs, savings and funding during the COVID-19 pandemic.

63. The estimates of cost increases are intended to be updated annually. The analysis uses the latest data, and assumptions and methodology are reviewed and refined before each update.

64. The cost increases presented are averages across all schools in England and should not be read as pertaining to individual schools. All schools need to understand and plan for their own situation.

65. Note that due to rounding, the sum of individual figures quoted in the text may not always precisely equal the total shown.

Annex – School resource management

66. The department is committed to working alongside schools and trusts to help them improve outcomes for pupils by getting the best value from all their resources.

67. The School Resource Management collection contains links to all of the support and tools the department currently has on offer.[28] The resources include:

1) Hands-on support through **School Resource Management Advisors** (SRMAs) - sector experts on school resource management who provide free hands-on advice and support to academies and schools.
2) Help with understanding school data and what this shows is crucial to achieving excellent school resource management. The department's tools and guides can help schools use data effectively including through the **Schools' Financial Benchmarking** service and the **View my financial insights** tool.
3) Tools to help schools plan and manage their workforce, including the **Integrated curriculum and financial planning** (ICFP) guidance and tool which can help align staff plans with school capacity, needs and budget. Support to reduce recruitment costs through the free recruitment service, **Teaching Vacancies**.
4) Resources to get best value when purchasing goods and services including the **Buying for Schools** guidance to help plan what goods and services are needed, the **DfE-approved Frameworks** which detail quality-checked suppliers to help achieve good value for money. This service includes two Schools Commercial Team recommended deals for energy costs and ancillary services relating to energy.
5) There is also the **Risk Protection Arrangement** (RPA), an alternative to commercial insurance which may save schools time and money.
6) The **Good Estate Management for Schools** (GEMS) guidance can help schools manage buildings and land more effectively.
7) Support for school business professionals (SBPs) including guidance and access peer-to-peer support. There is also **SRM: training and support** available to help SBPs continue their professional development.
8) Tools to help governors provide effective challenge, which is a critical part of excellent school resource management including the **Top 10 planning checks for governors** checklist, and the **View My Financial Insights** (VMFI) tool which provides a downloadable output for governors, containing a snapshot of the key financial performance metrics for their school. The **Governance handbook and competency framework** also provides advice on the roles of

[28] Department of Education (2021), *School resource management*, https://www.gov.uk/government/collections/schools-financial-health-and-efficiency.

governing boards and the skills, knowledge, and behaviours they need to be effective.

9) Helping schools to get the most out of their digital resources through the **EdTech Demonstrators Programme** which provides free peer-to-peer training and advice on how schools can make the best use of technology and the **Get help with technology programme** which provides advice on how to set up, distribute and manage school's digital technology.

68. If you have any questions on any of the school resource management resources then please contact the department via the ESFA Enquires Service.

Department for Education

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